# FOREIGN AGRICULTURE

November 24, 1975

French grain crop

## French Grain Exports May Rise

## Cotton in Central America

Foreign Agricultural Service
U. S. DEPARTMENT OF AGRICULTURE

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This week's cover:

France's 1975 grain output was reduced by bad weather during last year's planting season and a dry spell in the summer of 1975. But early indications are that the smaller crops will have little effect on the size of France's grain exports. See article beginning on page 4.

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# U.S. Agricultural Exports— . . . "a National Asset"

By DAVID L. HUME, *Administrator*
*Foreign Agricultural Service*

UNITED STATES agricultural exports are a national asset; their benefits are not confined to agriculture—and that is the least known and most poorly understood story of our time.

Unfortunately, public understanding of agricultural trade is largely based on newspaper headlines and television newscasts. This has produced a prevailing public sentiment that agricultural exports are good for farmers, but bad for consumers.

That view is a hazard to agricultural exporting, and I think this was clearly demonstrated by the nationwide outcry that followed the sale of 10 million tons of grain to the Soviet Union last July.

The anti-export pressure surrounding that sale, and the pressures that preceded it—and those that you can be sure will follow when someone outside agriculture raises his voice again—are based largely on myths and half truths.

This suggests to me that all of us in agriculture who want to keep exports moving at the maximum rate have a job to do beyond developing markets and negotiating access—it is the job of convincing the public what we know to be true: that every citizen has as big a stake in agricultural exports as the farmer has.

One myth is that exports will cause a food shortage in this country. That is just not true. The Department of Agriculture is continuously monitoring export sales and assessing domestic supplies to guard against a dangerous drawdown of U.S. stocks by foreign buyers. In fact, the first retail shortage that comes to mind since exports became the all-purpose whipping boy was that in beef, which came when the Government tried to control domestic prices.

Then there is that other myth—the myth that wheat exports would bring $1 bread, as the public was told about a year and a half ago. Time has proved that one wrong, but a look at the price of bread and the price of wheat since then is instructive.

The average farm price for a bushel of wheat in January 1974 was $5.29. By June 1975 it was $2.92, a decline of 45 percent. The average retail price of a one-pound loaf of bread in January 1974 was 31.9 cents. In June 1975 it was 35.6 cents. So the price of bread increased 11 percent in those 18 months while the price of wheat declined 45 percent.

More recently, people have been told that the sudden purchase of U.S. grain by the Soviets would cause an upsurge in retail food prices of "X" amount.

Parenthetically, while the Soviet purchases may have been sudden, they were not unexpected and had been built into our export estimates for some time. But the point is, their buying comes in a year when we have record crops of both corn and wheat.

There is plenty of grain. After domestic consumption, and exports to the Soviet Union and all other destinations, U.S. grain stocks a year from now will be 8-16 million tons greater than the 21 million tons on hand this year. In this situation, we expect that season average prices for grain will be lower this marketing year than last, even with further sales to the Soviet Union.

What the Soviet sales mean is that grain prices will not decline as much as would have been the case without those sales. The farm prices of the grain that goes into bread, milk, eggs, and meat will be less than last year, but not by as much as we might otherwise have expected—and there is no way grain prices would be down enough to offset the rise in labor and other marketing costs after the grain leaves the farm.

Therefore, it is correct to say that food prices likely will be higher with the Soviet sales than without them, but to say that selling to the Soviets is the cause of rising food prices is gross exaggeration.

Even more important than punctur-

**Based on remarks before the Secretary of Agriculture's Advisory Committees on Cotton and Grains, October 22, 1975.**

ing export myths, is the need to put agricultural trade into perspective in the public mind—to make the plumber, the banker, the housewife aware that the ability of the American farmer to sell competitively in the Soviet Union and more than 150 other countries is a great advantage to them.

The message is not terribly complicated, but it cannot be explained in a few newspaper quotes from a labor leader or in a 30-second segment on the 6 o'clock news.

The benefits to agriculture are obvious, and when we talk about agriculture, the man on the street should be reminded that we are talking about the country's largest industry by far. It has more than 4 million workers, self-employed and hired, who in 1974 bought $73-billion worth of production ingredients to turn out basic food and fiber worth close to $94 billion.

THIS LARGEST U.S. industry depends on exports to sustain its production and as its only source of significant growth. More than one-fifth of its production last year went into export, and for some segments of it the ratio was even higher—close to 60 percent for the wheat farmer, about 50 percent for the growers of soybeans and rice, and more than 30 percent for the producers of cotton.

The alternatives to exporting are burdensome, costly surpluses or drastic cutbacks in farm production. I am aware of no other American industry that is being pressured to reduce its output and cut its income to alleviate distress for the economy and its consumers.

If these consumers understood what agricultural exports do for them they would be less eager to put agriculture on the chopping block as a solution to their economic problems.

To begin with, those export dollars the farmer earns—$21.6 billion of them last year—move through the whole economy. As every farmer knows, they move very quickly from the farm to the bank, the supermarket, the clothing merchant, the equipment dealer, and the other business firms up and down Main Street.

Beyond that, agricultural exports generate jobs throughout the economy —an estimated 1.2 million people were working full time in farm export-related jobs in 1974. About half a million workers were needed on the farm to produce commodities for export. Off the farm, more than 650,000 men and women had jobs related to the assembling, processing, and distribution of agricultural products for export.

Exports reach well past these producing and marketing jobs into the employment structure in industries that produce the supplies and equipment that growers need to handle export volume. They reach into the consumer industries and retail stores when added income from exports permits farmers to buy more cars, household appliances, and other consumer goods.

Consumers benefit from agricultural exports in terms of their food supply. Exports have given farmers the freedom to farm the way they can farm best, with full production at the lowest possible unit cost and, hence, optimum efficiency. It seems to me the consumer's best chance to get the most production for the least cost lies not in cutbacks and controls, but in stimulating food production—in freeing up agricultural trade so our farmers can operate at full capacity on a continuing basis.

Taxpayers should appreciate the fact that farm exports reduce Government costs. The rise in farm exports has enabled the farmer to depend on the market for his livelihood. It has brought changes in domestic farm support programs that have cut yearly taxpayer costs by $3.5 billion in 3 years—from $4 billion per year to under $500 million today.

Perhaps the least understood in this whole poorly understood area of agricultural trade is what this trade contributes to the Nation's balance of trade and of payments, which bear directly on the stability of the dollar and the strength of the United States international trading position.

MOST PEOPLE are aware that this country has become increasingly dependent on other countries for oil, aluminum, and other raw materials, and for extras like TV sets, compact cars, and stereos.

A good share of the public also knows that to buy abroad the United States must sell abroad. But I think very few people know that farm exports have been the bright spot in earning the foreign exchange necessary to pay for these foreign goods.

Agriculture has contributed a surplus to the U.S. trade account for more than 10 years, and in recent years the farm trade surplus has risen from $1 billion in fiscal 1970 to $12 billion in fiscal 1975.

That $12 billion would cover half of last year's petroleum import bill, or, for the consumer, it would offset all of our imports of Toyotas, VW's, Jaguars, and the other cars, plus all the clothing, TV sets, and transistor radios we bought from foreign countries, and still leave about $1 billion left over.

ON BALANCE, the surplus in agricultural trade was more than enough to offset a $10-billion deficit in nonagricultural trade and put the U.S. total trade balance for fiscal 1975 in the black by $2 billion.

This is good for the dollar. Near the end of July the Commerce Department announced with justifiable pride that the United States had shown a trade surplus of $5.4 billion for the first 6 months of calendar 1975.

On July 31, shortly after the announcement, this headline appeared on page 10 of the *Wall Street Journal:* "Dollar Spurred to 17-Month High Abroad by U.S. Trade Data, Rise in Interest Rates."

What neither the Commerce announcement nor the *Journal* said was that the positive balance came from agricultural trade, which showed a surplus for the period of $6.4 billion. Nonagricultural trade was in deficit by $1 billion.

That sort of thing indicates the challenge we face in improving the public attitude toward agricultural trade.

Finally, agricultural trade makes a contribution to this society that can not be measured in jobs, dollars and cents, or balance sheets on trade: The fact that the United States is the world's leading supplier of agricultural products is a powerful influence in foreign affairs.

This was readily apparent in the post-World War II years, when the export of U.S. farm products was the cornerstone of the policy that helped economies to rebuild and governments to stabilize after years of devastation.

This food and other aid, including more than $3 billion in concessional shipments of cotton to finance economic development in recipient countries, turned to trade in most cases under the impact of growing prosperity.

Today the United States still is helping to feed millions of the world's peo-

*Continued on page 16*

# France's Grain Crops Down, But Exports May Be Higher

BAD WEATHER during the fall 1974 grain planting period and the summer that followed caused a substantial reduction in the size of France's 1975 grain crops. Even so, the country's grain exports in the 1975/76 marketing year[1] are expected to be slightly larger than those of the previous year. At the same time, France will probably reduce the size of its grain imports, including those from the United States.

The production total for all grains in 1975 was expected to slump to about 36 million tons, down from nearly 40 million tons the previous year. Total wheat production is expected to decline about 17 percent under the previous year's level, to 15.8 million tons; barley may be off 7 percent, to 9.3 million tons; and corn output has been officially set at 9.2 million tons with a yield of 71 bushels per acre. This estimate is only slightly above last year's disappointing production of 8.9 million, despite the acreage increase, and well below the record of 10.7 million in 1973 when the average yield was about 86 bushels per acre.

Despite the expected climb in France's grain exports, the most recent production figures may indicate a smaller export total than originally estimated. Grain imports are expected to drop by about 500,000 tons in 1975/76, largely because of reduced demand for corn and Durum wheat. As a consequence, imports of both of these grains from the United States will probably be less than last year's.

**Production.** The excessively wet conditions in the fall 1974 planting season not only reduced total wheat plantings by about 6 percent from the previous year's, it also caused a marked shift from winter wheat and barley to spring varieties, both of which generally have lower yields.

The rate of growth was delayed by cold, wet weather in March 1975, but good weather in April and the rest of the spring promised a chance to catch up, and acreage not planted in wheat was seeded with corn or sugarbeets. The early promise was that a record corn crop would make up for shortfalls in wheat.

However, the weather did not cooperate. July was hot and rainfall was below normal levels. The heat continued into the first week of August when high temperatures set records and rainfall was still short. All of these factors—poor seeding conditions in the fall, high plantings of low-yielding spring varieties, excessive heat and lack of rain during the final maturation stages—combined to bring the shortfalls in wheat and barley output.

The final outcome of the corn crop depended largely on more rain falling in the second week of August, but any precipitation that fell was inadequate.

Despite the vagaries of the weather, the quality of all grains promises to be superior to that of last year. Wheat and barley stands—already harvested—were reportedly dense and grain protein levels high. Unless there is a repeat of 1974's heavy late fall rains, the corn crop will probably have a lower moisture level than last year's.

Area planted to corn, barley, and sorghum was higher than last year's, but that planted to wheat, oats, and rye was down. Yields were generally affected by the dry weather and were down across the board.

**Trade.** During the 1974/75 marketing year, France exported a total of 6.62 million tons of wheat, including 72,200 tons of Durum.

SHIPMENTS of flour, equivalent to an additional 1.43 million tons of wheat, brought total exports of wheat (as grain or in wheat equivalent) to 8.05 million tons. This represents a 9 percent drop from 1973/74 shipments.

French exports of wheat in the form of grain or flour to other European Community countries dropped 45 percent to 3.07 million tons. This reflected a lessening in the relative importance of the EC market and lower livestock numbers in the EC, as well as the growing worth of markets in third countries, especially in the Mideast, North Africa, and South Asia. In the first half of calendar 1975, particularly heavy grain shipments were made to Egypt (grain and flour shipments equivalent to 437,251 tons); to Morocco (245,950 tons); India (430,186 tons); Bangladesh (294,328 tons); and Sri Lanka, (flour equivalent to 211,682 tons of wheat). These five markets—if prorated for the entire year—accounted for about 40 percent of France's total wheat exports.

France views the Mideast, and Africa as "natural" markets for its grain. In 1974/75, France's exports to third countries rose 85 percent higher than a year previous. Within the EC, France's most important markets are generally Belgium, the Netherlands, West Germany, and the United Kingdom, in that order.

France's total imports of wheat (as grain or as grain equivalent) in 1974/75 totaled 343,000 tons, 62 percent of which (214,000 tons) came from the United States. France was also an important market for U.S. Durum. These shipments made up 177,138 tons of total U.S. Durum exports of 263,158 tons.

France's barley exports declined sharply to 2.7 million tons in 1974/75, from 4.9 million tons the previous year. Its exports of corn slumped to 2.4 million tons, from 4.4 million in 1974. A decline in 1974 barley production of about 700,000 tons, with little change in animal feeding levels, along with an increase in ending stocks of corn of over 600,000 tons, contributed to the export drop.

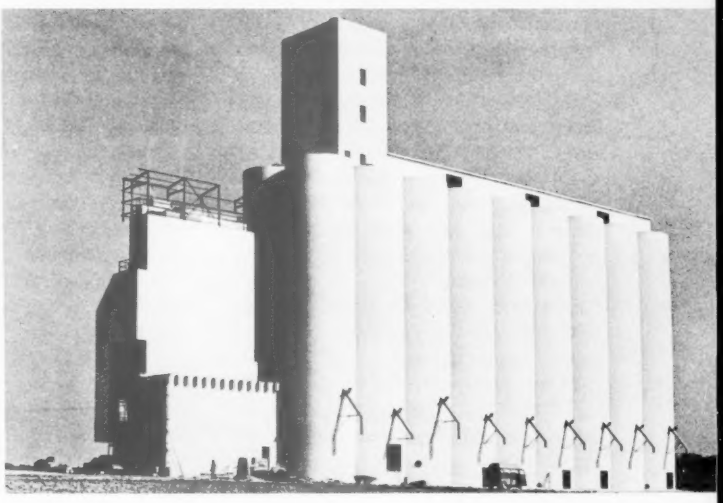
In the case of corn, additional factors were its relatively poor quality and high moisture content. On the domestic market, an adjustment in the EC levy system permitted imported corn to compete more effectively with French corn. As a result, 546,140 tons were imported in 1974/75, of which over 95 percent was of U.S. origin.

The mid-calendar 1975 weather conditions that caused the downward movements in 1975 production forecasts also made it difficult to assess fiscal 1975/76 trade prospects with little more than a nominal degree of accuracy.

Given the EC system of price supports and widespread subsidies, it is unlikely that animal feeding will adjust in any meaningful way to changes in the price of feedstuffs or in profit margins. ONIC, the French grain agency,

[1] France's marketing year extends from August 1-July 31.

*Clockwise from left, applying pesticide on wheat in the Paris Basin; harvesting French grain; recently erected grain elevator in the Paris Basin. Bad weather in the fall planting season and a summer dry spell cut France's grain output.*



reports that for the first 10 months of 1973/74 (August 1, 1973-May 1, 1974), 4.51 million tons of animal feeds (including wheat) were sold to feed manufacturers. In the same 10-month period of 1974/75, sales to feed manufacturers were down 2 percent.

During this period, on-farm use of grain probably rose marginally, canceling out the drop in its total use. Thus it is difficult to see any significant change being made in total animal feeding or in the distribution of grains in 1975/76, particularly since it is unlikely that denaturation or incorporation premiums will be used to boost grain production. A small projected decrease in poultry feeding will probably cancel out an increase in hog feeding. Furthermore, ensilage feeding is growing in popularity for young bulls—especially for the export market—and could increase in importance in the future.

Also, very little change is anticipated in the use of grain as food and seed, so France's grain trade will be governed largely by the sizes of beginning stocks, final 1975 production totals, consumer needs, and French policy decisions. Based on a number of factors such as strong world demand, lower European barley output, and a cut in U.S. corn imports by France, it is possible that French total grain imports will drop from 950,000 metric tons in the 1974/75 marketing year to 530,000 in the current year. Exports could climb from 13.5 million tons to 14.8 million tons.

Wheat exports will probably remain about the same as in 1974/75 at 8.1 million tons, while wheat imports may drop from 310,000 tons to about 200,000, a difference of 35 percent. Corn imports may drop from 550,000 tons to 250,000 tons, while exports could go from 2.5 million tons to 3.5 million. Imports of barley could drop from 30,000 tons to 5,000 tons; barley exports are estimated to go from 2.7 million tons to 3 million.

Structure of the French wheat trade is undergoing marked change, and this also could have an impact on imports. The increase in plantings to 260,000 hectares in 1975 will produce some 820,000 tons of Durum—unless cut by weather—about 270,000 tons in excess of France's domestic needs. French imports of Durum are expected to fall by 100,000 tons to 150,000 in 1975/76, while France will concurrently expand its export markets for Durum at the expense of U.S. and Canadian exporters.

A more significant structural change could be the stronger demand for wheat having better baking qualities. The relative importance of this change is extremely difficult to assess since its strength will depend on the distribution of the two types of wheat grown in the EC, on EC decisions on intervention pricing, and on how the baking industry and consumers react to the new bread types.

—Based on report from
*Office of U.S. Agricultural Attaché*
*Paris*

# Cotton Is on the Decline In Central America

CENTRAL American cotton—battered last season by Hurricane Fifi, volcanic fallout, and the collapse of the world cotton market—is under assault again this season as producers reduce plantings in response to low returns and stiffening Government restrictions on plantings. The resulting prospects: An across-the-board decline in 1975/76 cotton crops of Nicaragua, El Salvador, Guatemala, and Honduras and lingering problems that will tend to hold down future expansion in this key cash crop.

James P. O'Mara, Acting U.S. Agricultural Attaché, San Salvador, forecasts 1975/76 production declines of 7 and 19 percent, respectively, for Nicaragua and El Salvador. Even sharper cuts are seen by John C. McDonald, until recently U.S. Agricultural Attaché, Guatemala City, for Guatemala and Honduras, whose 1975/76 crops may skid by 9 and 30 percent, respectively.

These declines follow a disappointing 1974/75 season, when natural calamities and depressed foreign demand brought an end to long-term cotton expansion in Central America.

The region's cotton exports, on the other hand, will follow a more erratic course. Two countries—Guatemala and Nicaragua—most certainly will reduce 1975/76 shipments in the face of lower crops and reduced export availabilities. But El Salvador and Honduras will be expanding shipments as they work down stocks that accumulated during the past 2 years.

With the exception of Honduras, whose production is relatively insignificant, these tiny Central American Republics are exceedingly vulnerable to gyrations in the world market, since virtually all of their output moves into export. In fact, on a per capita basis, few countries exceed these nations either in production or exports. Nicaragua, El Salvador, and Guatemala last year were, respectively, the third, fourth, and fifth largest cotton exporters in the Western Hemisphere. And even in the world market—among such giant exporters as the United States, the USSR, Egypt, Pakistan, and Turkey—Nicaragua last year came up with an impressive 9th-place position.

Here is how the 1975/76 picture looks in the four countries, as reported by Attachés O'Mara and McDonald.

**Nicaragua.** Following a 1974/75 season marked by unfavorable weather, rising production costs, and depressed prices, Nicaraguan cotton producers reduced their 1975/76 plantings. These are down an estimated 14 percent and reflect not only the 1974/75 difficulties, but also growing Government restrictions on cotton production, according to O'Mara. He reports: ". . . the National Bank has decided to limit loans for cotton production to individuals who have achieved an average yield of at least 34 quintals of raw cotton per manzana [about 1.5 480-lb bales per acre] for the last 6 production years."

Nearly 70 percent of all bank loans last season were made through the National Bank. Thus, the Government is speeding the exodus of marginal producers from cotton production—a move that, while serving to reduce cotton plantings, should help boost yields in Nicaragua.

BECAUSE OF THE prospects for better yields, production in 1975/76 should hold up better than acreage. O'Mara currently forecasts the crop at 520,000 bales (480 lb net) compared with 558,000 last season.

On the trade side, the forecast is for a drop in exports to 495,000 bales from 631,000 in 1974/75 now that the country has worked off the large stocks accumulated during disputes over 1973/74 cotton sold a year in advance, before that season's sharp spiral in prices. Nicaraguan efforts to renegotiate these contracts at more favorable prices led to shipping delays and pushed stocks to over 100,000 bales at the beginning of 1974/75. But by the start of 1975/76, stocks had been reduced to under 10,000 bales.

Exports during the first 11 months of the 1974/75 season (Aug.-July), reports O'Mara, totaled 543,000 bales, with Japan, West Germany, Italy, and Hong Kong taking nearly three-fourths of the total.

Regarding weather, O'Mara says that "dry weather in June and July hampered growth in some cotton areas but recent rains have evidently provided the necessary impetus for a good maturation." He adds that, in contrast to last season, there has been an abundance of fertilizer and insecticides this year, and that the upturn in prices recently, following sharp declines earlier in 1975, "is a welcome sight, and trading is picking up owing to the increase in future sales for this year's crop."

About cotton's role in Nicaragua, O'Mara says, "Even though some of the large cotton growers are expected to substitute cotton with other crops for the current marketing year," drives through the Departments of Chinadega and Leon reveal that "cotton is still the predominant crop."

**El Salvador.** O'Mara paints a mixed picture of cotton prospects in El Salvador. For the short term, cotton output will definitely be down, since farmers planted 15 percent less—184,245 acres—in 1975/76 than they did last season, for a prospective production decline of 19 percent to 215,000 bales (480 lb net).

O'Mara attributes the decline largely to two regulations passed earlier this year by the National Assembly. These limit cotton planting in relation to populated areas and bodies of water, and require all cotton growers to plant at least 5 percent of their land to basic grains.

In addition, the rising production costs and falling returns of last season gave producers a "pessimistic view of cotton prices in the future," which continued beyond planting time. The view was changed somewhat by the summer rise in cotton prices, but that increase came "at a time when most of the cotton has been planted in El Salvador."

O'Mara also points out that favorable prices for sugar have prompted many farmers to switch cotton land to sugarcane.

El Salvador's cotton exports, on the other hand, may hit an alltime high this season as the country ships out much of the 1974/75 crop as well as 1975/76 cotton. This overlap reflects a continuing bulge in shipments arising from contract disputes that occurred during 1973/74. These disputes delayed shipment of much of that crop until 1974/75 and thus pushed 1974/75-crop exports into the current season.

As a result, shipments may rise to

around 385,000 bales (480 lb net) from 323,000 last season and 69,000 in 1973/74. Japan is far the largest market, taking about 200,000 bales last season, followed at a distance by Spain, France, and Italy.

Looking ahead, O'Mara sees some improvement. "Producers are optimistic as a result of the upswing in prices and feel that if they can be maintained they will be in the black." Should cotton exports reach the record levels predicted and cotton prices continue strong, "the trend of exit from cotton production will likely be ended."

**Guatemala.** Following a 1974/75 season marked by volcanic sand fallout, heavy rains, and declining cotton prices, cotton producers in Guatemala have pared their plantings considerably. As a result, McDonald reports that 1975/76 "promises to be the second successive year of declining cotton outturn from the record 550,000 bales produced in 1973/74."

Cotton area registered with the Government for licensing is down some 25 percent this season to around 206,000 acres, and production is forecast off about 9 percent to 435,000 bales (480 lb net). The more modest decline in production than in acreage reflects the likelihood of much better yields this season than those from the weather-beaten crop of 1974/75.

McDonald says cotton plants this year have a "general healthy and vigorous appearance," and yields could average around 3.50 bales per manzana compared with last season's 2.91.

Export availability of cotton this season may decline about 10 percent to 365,000 bales, according to McDonald. As of early September, exporters' 1975/76 cotton purchases from farmers on futures contracts totaled about 300,000 bales. Major individual markets in the long list of buyers are Japan, West Germany, and Italy. On a regional basis, Northern Europe and the Far East each take about a third, followed by around 20 percent to Mediterranean countries and the rest to Latin America.

MCDONALD forecasts that "under present circumstances," Guatemalan cotton exports in the next 5 years will probably fluctuate between 365,000 and 390,000 bales. He concludes: "Cotton is perhaps the only crop in Guatemala with little or no production growth potential from yield increases because of improvements in technology and capital use or shifts to land with higher productivity."

**Honduras.** Cotton output in this minor producer will become even more insignificant in 1975/76 as a result of a sharp decline in plantings and production. McDonald says that the Cooperativa Agropecuaria Algondonera del Sur, Ltda., which produces most of the cotton, anticipates a 39 percent decline in seeded area and a 30 percent drop in production to around 15,000 bales (480 lb net).

BEHIND THE sharp drop, says McDonald, is a new agrarian reform law, "which puts an end to the traditional Honduran pattern of planting about one-third of the cotton crop on leased land."

He adds that: "Unfavorable prices a few months ahead of planting time also discouraged cotton growers to some extent."

The decline follows an 11 percent drop in 1974/75 plantings when some growers, anticipating reform, "had already shifted cotton land to other uses before the Government announced that the fiber could be planted on rented land for the 1974/75 season."

On the positive side, cotton appears to have escaped damage dealt other crops by the "worst drought in 20 to 50 years." McDonald reports that "cotton area was bone dry in May and June, but by seeding time in July and August, belated rains had made sporadic appearances."

Exports, he says, may reach 25,218 bales in 1975/76, compared with 18,600 last season—all to Japan—as a result of a 9,400-bale carryover from last season. Like the other Central American countries, Honduras has seen exports in the last two seasons postponed by disputes over 1973/74 contracts sold a year in advance on a futures basis.

*Nicaraguan export cotton is positioned for loading.*

# FAS Cooperators in Action Around

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**1. AT HUNGARIAN FARM AND FOOD SHOW.** Three FAS cooperatives—the Holestein-Friesian Association, the American Hereford Association, and the American Soybean Association—exhibited for the first time earlier this fall at AGROMASEXPO in Budapest. This Hungarian farm and industrial food show is one of the most important of its kind in central Europe. The U.S. participants aimed their efforts at meeting already established contacts and making new ones in the fields of science and agriculture, particularly among cattle breeders and feeders.

**2. BRANGUS JOINS FAS TEAM.** The International Brangus Breeders Association signed its first Foreign Market Development Project Agreement with FAS in Dallas, Tex., August 20, 1975. Signing the pact at right is IBBA Executive Secretary Roy W. Lilley, San Antonio, Tex. Next to him is IBBA President W. B. Harris, Columbus, Tex., and on the left, Claude Dobbins, FAS international marketing specialist. Standing, from left to right, are members of the IBBA International Marketing Committee: Don Mann, Jim Eller (chairman), Keith Mayes, and R. L. Freeborn.

**3. CITRUS EXECUTIVE AWARD.** California-Arizo European representative, D shows to Frank E. Cash, Le Bonn, the medal and citatio help to West German Gove Ministry of Food, Agricultu matters relating to pesticide to plant protection and food was the first American to re the German Government. E all been European experts.

# d the World

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**VE GETS GERMAN**
rizona Citrus League
. Don Thompson, left,
Deputy Chief of Mission,
tion he received for his
overnment officials in the
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ides and their application
ood legislation. Thompson
receive this award from
t. Earlier winners had
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**4. JAPANESE NOODLE RESTAURANT GROUP HERE.** Wheat Associates USA, in cooperation with FAS and the Japanese Federation of Noodle Restaurants Association, sponsored the visit of a 31-member Federation team to the United States in mid-October. The group went to Portland, Ore.; Spokane, Wash.; Wichita, Kans.; Washington, D.C.; and New York, N.Y. It observed the U.S. wheat situation and discussed future demand and supply possibilities. U.S. Western White wheat and Semihard Winter wheat each make up 30 percent of Japan's noodle flour output.

**5. TAIWANESE BAKING SCHOOL HELPS PROMOTE WHEAT.** Western Wheat Associates, Inc., through its China Baking School, taught this Taiwanese baker to produce fancy doughnuts that will soon be filled with jelly and offered for sale. This is one of the many wheat-based products now available in Taipei. The Republic of China's annual per capita wheat consumption has increased from 20 pounds to more than 70 pounds in the past two decades, with the United States supplying some 92 percent of Taiwan's wheat requirements during the 20-year period.

# Record '76 Output Should Help Stabilize World Sugar Trade

By GORDON E. PATTY
*Foreign Commodity Analysis, Sugar and Tropical Products*
*Foreign Agricultural Service*

AFTER a year of generally falling sugar prices, following the unprecedented high reached in November a year ago, the world sugar situation is expected to be a little more stable in the coming year.

A record crop is in prospect, which should improve the stock situation. Several important trading countries have signed bilateral agreements, which have eliminated some of the uncertainties connected with the expiration of the U.S. Sugar Act and the Commonwealth Sugar Agreement.

During 1975, there has not been aggressive buying by the USSR on the world free market, although there have been persistent unconfirmed reports to the contrary. Consumption is again expanding at the usual level as prices have adjusted downward.

*"... carryover at the end of 1975/76 will not be much larger than at the beginning of the year."*

According to an FAS projection released on November 20, the 1975/76 world sugar crop will be about 83.4 million metric tons, raw basis, 4.8 million tons above the 1974/75 crop. The increase is mainly the result of expanded beet plantings, particularly in Europe and the United States.

Cane production is also expected to improve somewhat this year. The 1975/76 crop has generally been helped by more favorable weather than last year's.

Cane production, at about 50 million tons, is expected to constitute 60 percent of 1975/76 world sugar output, while an estimated 33 million tons of beet sugar will account for the remainder.

**Based on remarks before the National Agricultural Outlook Conference, Washington, D.C., November 20, 1975.**

World consumption of sugar is expected to expand about 2.5 percent this year to 81.8 million tons, only 1.6 million tons less than the anticipated record production. With output only slightly exceeding consumption, carryover at the end of 1975/76 will not be much larger than at the beginning of the year, when world stocks were a relatively low 15 million tons.

Most of the large producing countries are registering increases over last year's output. The major exceptions are Brazil, Argentina, Cuba, and India. Both Brazil and Argentina were hard hit by severe frost in July.

In Brazil the frost damaged sugarcane in the States of São Paulo and Paraná and output, at 7 million tons, is about a half million tons below last year's. Cuba's output was reduced by drought, while in India production is 500,000 tons lower than last year's because of wet and cloudy conditions.

In the USSR, the 1975/76 crop is an estimated 9 million tons, compared with 7.7 million tons the year before when the weather did not encourage sugar growth. Production in most European countries also rose this year, as acreage planted to beets expanded considerably.

Output in Europe, not including the USSR, is about 17.9 million tons, more than 2 million tons above that of the previous year. Production in Poland is nearly 500,000 tons higher this year.

The United States is expected to produce an estimated 3.4 million tons of beet sugar in 1975/76, 650,000 tons more than last year's. Cane sugar output at 1.5 million tons, represents a 200,000-ton improvement on the continental United States, while there is little change in output in Hawaii and Puerto Rico. Expanded acreages, both in the United States and in Europe, were encouraged by the higher prices prevailing early in the season.

In the Philippines, sugar output is up by 100,000 tons to 2.6 million tons. Production in Thailand, Turkey, the People's Republic of China (PRC), and Indonesia also climbed in 1975/76. Australia's held steady.

New mill construction has not risen significantly worldwide, despite the 1974 price rises. Investors have been more cautious since the 1974 price upswing than they were following the one in the early 1960's, particularly with higher investment costs.

Several countries have begun modest expansion projects. France reportedly has a new plant under construction with a 14,000-ton daily beet capacity. The USSR also has a new small beet mill in operation.

A new U.S. beet factory began operating this fall in southern Minnesota and several mills are under construction in Australia, Morocco, the Philippines, Thailand, and Mexico, among others. Brazil has a modernization program underway, and Cuba has announced similar plans.

Several countries have signed new bilateral agreements. Under the USSR's and Cuba's recent new agreement, the USSR will pay about 30 cents per pound for Cuban sugar. Australia is sending Japan 600,000 tons of sugar per year for 5 years beginning July 1975 under their new program. Japan also has agreements with South Africa and Thailand.

The PRC has new agreements to buy sugar from the Philippines and, reportedly, Brazil. A European Community agreement with the African Caribbean Pacific (ACP) producers for 1.2 million tons annually for 5 years will provide minimum supplies for the United Kingdom.

*"New mill construction has not risen significantly worldwide, despite the 1974 price rises."*

The International Sugar Council met November 20-21 to discuss the international sugar situation and consider negotiations for a new sugar agreement. The United States attended the proceedings as an observer.

Latin American sugar producers met recently in Peru and estimated world production at 81 million tons, 2 million below the FAS estimate. The group accounts for about 50 percent of world exports and does not appear to have reached its objective of stabilizing world prices as yet.

*Recap of the Soviet grain year*

# Grain Shortfall Underlines Weather's Impact in USSR

It started positively, favored by an unusually mild winter, but by fall the 1975 Soviet grain crop had plunged to the lowest level since 1967, for probably one of the biggest agricultural disappointments in recent Soviet history.

At the 1975 season's beginning, for instance, the USSR was within striking distance of realizing its grain goals for the 5-year plan ending in 1975. In the end, it was some 55 million metric tons below 1975 goals and had been forced to line up massive imports of grain, purchases of which already have reached over 25 million tons. Indeed, at the current USDA estimate of 160 million tons, the USSR's drought-stricken 1975 crop wipes out all grain progress made earlier in the current 5-year plan, raising serious questions about the country's ability to reach grain and livestock goals keyed to ever-expanding grain output.

What went wrong to turn a prospective near-record outturn into the smallest crop in almost a decade? A recapping of the 1975 grain year reveals the problems, centering around the Soviet Union's continuing susceptibility to unfavorable weather.

The 1975 Soviet grain year began with slightly reduced plantings of winter grains—which account for roughly a third of total Soviet grain output—and a winter marked by mild, largely snowless weather. The lack of a protective snow cover initially raised concern about the chances of winterkill, but in the end this problem was negligible. In fact, winterkill in 1975 has been estimated at only 3-4 percent, compared with 15-17 percent in normal years.

Conversely, below-normal precipitation meant that soil moisture was quite low, leaving the crop extremely vulnerable to the drought that was to come later. In addition, even by early spring shortages of livestock feed supplies were being reported, indicating that more of the winter crop than usual had been cut for early green feed—a practice strongly discouraged by agricultural leaders today.

These combinations of circumstances contributed to a winter grain crop estimated by the USDA at 62.5 million metric tons, or 5 million tons below last year's. Virtually all the decline came in rye output, while production of wheat and barley remained unchanged from the 1974 levels. Harvested area, estimated by the USDA at 29 million hectares, is some 3 percent below 1974's (1 hectare = 2.471 acres).

The spring grain crop began normally—in fact plantings were up some 2 million hectares from those in 1974—but the below-normal winter precipitation had left many of the southern areas of the European USSR with low soil-moisture reserves. The center of this dryness was initially the Lower Volga, but as the summer progressed, the dryness extended throughout the Volga; west into the southern Central Chernozem Zone and much of the Donetz-Dnieper region of the Ukraine; east into the southern Urals and western and northern Kazakhstan; and south into Stavropol Kray and parts of Rostov Oblast. Dryness also was evident in the Kuban and the southern Ukraine, imperiling spring grains there.

*"The 1975 Soviet grain year began with slightly reduced plantings of winter grains . . . and a winter marked by mild largely snowless weather."*

This wide sweep of drought was reflected in reduced crops of all major spring grains, with the most severe damage in barley, wheat, and corn. Barley acrease began the season 6 percent ahead of that in 1974, but the crop was especially hard hit by hot, dry weather during the early and important filling stages of growth. Corn area began the season 20 percent under that of 1974 and was probably reduced at least another 13 percent by the extreme dryness in southern growing areas. In fact, a large share of the corn was apparently cut for silage in an effort to salvage some feed.

These far-reaching problems ultimately reduced the spring grain crop to an estimated 102.5 million tons from 133.2 million last year, for the smallest spring grain outturn in 8 years.

The recent history of Soviet grain production reveals similar drastic shortfalls, coming every few years and caused generally by drought. One obvious point of comparison is the 1972 crop, which—in the face of drought—fell to 168 million tons from 181 million the previous year. The USSR's consequent sudden entry into the world grain market, with net imports of some 21 million tons, contributed to the tight world grain supply situation in the following 2 years and set the precedent for the USSR's expanded role as a grain importer.

Grain area that year totaled 120.1 million hectares, with yields averaging 14 quintals per hectare. In 1975, on the other hand, area started a full 10 million hectares above 1972's, but yields of only about 12.5 quintals per hectare have pulled total production below even the low 1972 level. This in turn is more than 29 percent below the peak yield of 17.6 quintals per hectare achieved in 1973, when Soviet grain output hit its alltime high of 222.5 million metric tons.

Probably the better comparison at this point is the 1967 crop. Drought that year reduced production 23 million tons below the 1966 level to 147.9 million tons, with an average yield of 12.1 quintals per hectare. At that time, however, such a yield was more common than it is today, given the USSR's recently expanded investment in agriculture and greater emphasis on modern technology: Higher-yielding varieties, increased fertilizer use, irrigation, and other yield-enhancing inputs.

The 1975 crop thus points up the continuing vulnerability of USSR agriculture—despite an improving technology and other recent achievements—in the face of unfavorable weather.

On the trade side, the 1975 shortfall has forced the USSR to purchase record amounts of grain on the world market and to officially accept the fact that it will be a permanent fixture in the world grain market for the next few years.

As of November 14, Soviet purchases of grain for import during the 15-month period ending next October 1 reportedly had totaled over 25 million tons. Some 13 million tons of this total—4.5 million of wheat and 8.6 million of corn—had been purchased from U.S. suppliers.

Most of the remainder had come from Canada, Australia, and perhaps Argentina, Europe, and Brazil.

Around 30 million tons of grain—roughly 2 million tons a month—may be all that the USSR is capable of handling, owing to the physical limitations of its rail, barge, and truck transportation networks and to related organizational problems.

However, this ceiling is at best an educated guess, since the USSR releases no official statistics on its transport capability, and the system so far has not been tested with imports of more than 2 million tons a month. Some sources say that monthly imports could actually reach 3 million tons, that in fact imports may have to reach that level if the grain already purchased is to be delivered by next October, owing to shipping delays early in the season.

Of the U.S. sales, some 2.2 million tons of wheat and 1.1 million of corn have already been shipped.

The USSR also has made it clear that less grain than usual will be available for export to Eastern Europe and Cuba, which traditionally depend on the USSR for up to 7 million tons of grain a year. These countries may see such imports drop to below 3 million tons in 1975.

Another move, unprecedented in U.S.-USSR trade relations, was the recent conclusion of a 5-year agreement for the sale of at least 6 million tons of U.S. wheat and corn to the USSR during each of the next 5 years (see the November 3 issue of FOREIGN AGRICULTURE). The agreement, announced October 20, will go into effect October 1, 1976, and applies only to those years when the U.S. grain supply totals 225 million tons or more. (U.S. grain supply has not been below that level in recent years.) Purchases of wheat and corn under the agreement are to be made from private commercial sources at prevailing market prices.

It is hoped that this accord will bring some degree of stability to a USSR grain trade historically marked by relatively stable exports but highly erratic imports.

Since this year's crop of 160 million tons will leave the USSR nearly 50 million tons short of recent consumption requirements—estimated at 205 million tons for 1974/75—the country will fall well short of grain needs even if imports reach 30 million tons. The USSR thus faces major belt-tightening during the months ahead.

Already, the shortfall has put strong stress on the USSR's expanding livestock industry (see the November 17 issued of FOREIGN AGRICULTURE.) Cattle, hog, and sheep numbers are high, while the country is increasingly dependent on confined feeding of cattle and hogs in complexes that require con-

USSR GRAIN PRODUCTION, BY REPUBLIC
[Million metric tons]

| Republic | Average 1966-70 | 1971 | 1972 | 1973 | 1974 | 1975 [1] |
|---|---|---|---|---|---|---|
| RSFSR | 100.5 | 104.8 | 91.6 | 129.0 | 111.7 | 92 |
| Ukraine | 33.4 | 39.4 | 32.6 | 48.4 | 45.9 | 37 |
| Kazakhstan | 20.7 | 21.1 | 29.0 | 27.7 | 18.5 | 12 |
| Belorussia | 3.6 | 5.4 | 4.6 | 5.7 | 6.8 | 19 |
| Moldavia | 2.2 | 2.2 | 2.8 | 2.9 | 2.5 | |
| Other | 7.2 | 8.3 | 7.6 | 8.8 | 10.2 | |
| Total | 167.6 | 181.2 | 168.2 | 222.5 | 195.6 | 160 |

[1] USDA estimates.

USSR GRAIN TRADE, BY PRODUCT
[Million metric tons]

| Item | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 [1] |
|---|---|---|---|---|---|---|---|---|
| Imports: | | | | | | | | |
| Wheat | 1.3 | ([2]) | 1.8 | 2.3 | 8.1 | 15.2 | 2.7 | ([3]) |
| Corn | .3 | .5 | .3 | .9 | 4.1 | 5.4 | 3.4 | ([3]) |
| Barley | — | — | — | — | 2.6 | 1.9 | .3 | ([3]) |
| Rye | — | — | — | — | .1 | 1.3 | .7 | ([3]) |
| Oats | — | — | — | — | — | — | — | ([3]) |
| Other | — | — | .1 | .3 | .6 | .1 | — | ([3]) |
| Total | 1.6 | .6 | 2.2 | 3.5 | 15.5 | 23.9 | 7.1 | 17-20 |
| Exports: | | | | | | | | |
| Wheat | 4.4 | 6.0 | 4.7 | 7.6 | 4.0 | 4.2 | 5.3 | 3.0 |
| Barley | .6 | .7 | .5 | .7 | .3 | .3 | .9 | ([3]) |
| Rye | .2 | .2 | .2 | .2 | — | — | — | ([3]) |
| Corn | .2 | .2 | .3 | .1 | .3 | .4 | .8 | ([3]) |
| Oats | ([2]) | ([2]) | ([2]) | ([2]) | ([2]) | ([2]) | ([2]) | ([3]) |
| Total | 5.4 | 7.2 | 5.7 | 8.6 | 4.6 | 4.9 | 7.0 | 3.0 |

[1] Estimated. [2] Less than 100,000 tons. [3] Not available. USSR official data.

USSR GRAIN AREA, YIELD, AND PRODUCTION,
1974 AND ESTIMATED 1975

| Class | 1974 [1] | | | 1975 [2] | | |
|---|---|---|---|---|---|---|
| | Area | Yield | Production | Area | Yield | Production |
| | *Mil. hectares* | *Quintals per hectare* | *Mil. metric tons* | *Mil. hectares* | *Quintals per hectare* | *Mil. metric tons* |
| Winter grains: | | | | | | |
| Wheat | 18.6 | 24.0 | 44.7 | 19.5 | 23.1 | 45.0 |
| Rye | 9.8 | 15.5 | 15.2 | 8.0 | 12.5 | 10.0 |
| Barley | 1.5 | 17.9 | 2.6 | 1.5 | 16.7 | 2.5 |
| Total | 29.0 | — | 62.5 | 29.0 | — | 57.5 |
| Spring grains: | | | | | | |
| Wheat | 41.1 | 9.5 | 39.2 | 42.5 | 7.1 | 30.0 |
| Barley | 29.6 | 17.4 | 51.6 | 31.0 | 12.4 | 38.5 |
| Corn | 4.0 | 30.5 | 12.1 | 3.0 | 26.7 | 8.0 |
| Oats | 11.6 | 13.2 | 15.3 | 12.0 | 11.7 | 14.0 |
| Millet | 3.0 | 9.7 | 2.9 | 3.0 | 5.0 | 1.5 |
| Buckwheat | 1.6 | 6.1 | 1.0 | 1.5 | 6.7 | 1.0 |
| Rice | .5 | 38.7 | 1.9 | .5 | 40.0 | 2.0 |
| Pulses | 5.8 | 15.0 | 8.7 | 6.0 | 12.5 | 7.5 |
| Total [3] | 97.2 | — | 133.2 | 99.5 | — | 102.5 |
| Total grains | 127.2 | 15.4 | 195.7 | 28.5 | 12.5 | 160.0 |

[1] Actual harvested. [2] USDA estimates. [3] Including miscellaneous grains.

tinuous flows of livestock and feed for optimum economic operations. Thus, not only are grain requirements skyrocketing, but much of the past flexibility in feeding has been lost.

Since roughage-consuming animals can be most easily sustained, cattle and sheep numbers will probably hold up better than hog and poultry numbers—the latter already have come under heavy distress slaughtering. But even cattle could eventually be affected, in view of mounting evidence that the USSR is short on hay and other roughages, as well as grains, for overwintering of livestock.

Food consumption of grain—which has varied little in recent years but also leaves less room for adjustment than feed use—could be reduced some by raising the milling rate. In other words, more of the grain kernel would be used in breadmaking, yielding darker, heavier breads than normal. Such a change would go against the recent Soviet trend toward consumption of white bread.

*"The recent history of Soviet grain production reveals similar drastic shortfalls coming every few years and caused generally by drought."*

Average wheat milling rates in the United States are around 72 percent, while an educated guess for the USSR is 80 percent for wheat and 90 percent for rye.

With an eye further down the road, the Soviets also are exploring means of ensuring greater stability in grain production. One way they see of obtaining stability is to stress winter grains (wheat, rye, and barley), which traditionally have been more dependable than spring grains. During the 1971-74 period, for instance, winter grain yields averaged 6.1 quintals per hectare more than spring grain yields.

Accordingly, the Government plans to boost winter grain plantings to 40 million hectares in the near future, compared with 35.7 million seeded this fall. By also working to increase winter grain yields, the Soviets hope to boost winter grain output to an annual average of 110-120 million tons, compared with around 62 million tons recently.

Soviet scientists want this expanded area to include 25 million hectares of winter wheat, compared with 18-19 million recently, offset by reduced emphasis on low-yielding grains and annual grasses. Additionally, winter rye seeding is to be significantly increased in the Central Chernozem Zone, the Volga, Urals, Volga-Vyatsk, the northwest region of the RSFSR, and the northeast Ukraine. If these plans are carried out, winter rye area may eventually rise to around 13 milion hectares from 9.8 million in 1974.

Expanded fertilizer use will be needed to achieve planned production levels. Currently, high-cost industrial crops—cotton, sugarbeets, corn for grain, and potatoes—are the priority users of fertilizer.

—Based on dispatch from
ROGER E. NEETZ
*U.S. Agricultural Attaché, Moscow, supplemented by ERS and FAS data*

## Dry Weather Retarding USSR Winter Grains

The dry weather that plagued the USSR's 1975 grain crop has apparently also hampered progress of 1976-crop winter grains, as well as production of hay and forage needed to carry livestock through the harsh Soviet winter.

Reports indicate that the USSR has planted all of the 35 million hectares planned for 1976 winter grain production, which is better than last season's initial plantings. However, conditions of the crop so far have been uneven, in contrast to the excellent conditions at this time last season.

Reports in late October revealed continuing dry conditions in much of the Ukraine and North Caucasus. Crops observed in the north, central, and southern Ukraine showed some good stands of grain but also a number of poor stands marked by spotty germination, plant stress, browning, and patches of weeds and wild mustard. Since little additional time remained for growth before the winter-dormancy period, such stands will be extremely vulnerable to winterkill.

Some major reductions in plantings were also evidenced in certain areas. For instance, field checks between Kiev and Odessa showed that winter grain sowings were less than half those of 1974. Apparently, because of the continuing dryness these areas were simply left fallow to await planting of spring grains.

Increased plantings also were observed in some areas where soil moisture had been adequate.

Press reports of good winter grain conditions have been largely limited to the Baltics and Belorussia, the western Ukraine, and southern parts of Krasnodar and Stavropol Krays.

Forage fields and pastures in areas traveled also were dry, with little grazing available and cattle in a few areas being fed straw or sugarbeet tops. Some of the state cattle herds looked thin and in poor condition to be entering the winter season.

Lagging production of hay and straw likewise indicates a difficult winter for livestock. The USSR's Central Statistical Administration recently reported that as of October 27, 45.4 million tons of hay had been procured, whereas that volume already had been procured by September 9 last season. Production of straw as of October 27 was reported at 74 million tons, compared with 79.7 million reported on September 30, 1974.

Silage procurement as of October 27 was 139.3 million tons, compared with 160 million tons reported by October 26, 1974. The 1975 figures include increased cutting of sunflowers and corn for silage because of the drought. The potato and feed beet situation appears to be somewhat better than that in the 1972 drought year.

Still, if forage supplies show no further improvement, the USSR could be forced to accelerate cattle slaughter, with a consequent further tapering off of milk and butter production. Their output already has been depressed because of the declining milk yields caused by the reduced feed base.

—Based on reports from
ROGER E. NEETZ
*U.S. Agricultural Attaché, Moscow*

# CROPS & MARKETS

## —GRAINS • FEEDS • PULSES • SEEDS—

**Canada, Brazil Sign New Wheat Agreement.** The Canadian Wheat Board (CWB) on October 31 announced signing of a new 3-year agreement with the Brazilian Wheat Board covering sale of a minimum 900,000 and a maximum 1.5 million metric tons of wheat. Credit is to be extended over 3 years, with interest at the CWB borrowing rate—about 10 percent. The payment schedule is believed to be 10 percent cash on shipment and equal payments at 12, 24, and 36 months. The first increment under the new agreement is set at 400,000 tons for May-June 1976 shipment. Meanwhile, the CWB concluded its 1972 Brazilian agreement with the sale of 50,000 tons of wheat under 10-year credit and another 50,000 tons under 3-year credit.

**Rotterdam Grain Prices and Levies.** Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

| Item | Nov. 17 | Change from previous week | A year ago |
|---|---|---|---|
| | *Dol. per bu.* | *Cents per bu.* | *Dol. per bu.* |
| Wheat: | | | |
| Canadian No. 1 CWRS-13.5 | (1) | (1) | 6.42 |
| USSR SKS-14 | (1) | (1) | (1) |
| French Feed Milling [2] | 3.43 | −10 | (1) |
| U.S. No. 2 Dark Northern Spring: 14 percent | 4.90 | −16 | 6.37 |
| U.S. No. 2 Hard Winter: 13.5 percent | 4.73 | −16 | 6.18 |
| No. 3 Hard Amber Durum | 5.75 | −48 | 8.16 |
| Argentine | (1) | (1) | (1) |
| U.S. No. 2 Soft Red Winter | 4.00 | −8 | (1) |
| Feedgrains: | | | |
| U.S. No. 3 Yellow corn | 3.02 | −9 | 4.18 |
| French Maize [2] | 3.20 | −10 | (1) |
| Argentine Plate corn | 3.60 | −2 | 4.51 |
| U.S. No. 2 sorghum | 3.10 | −2 | 4.31 |
| Argentine-Granifero sorghum | 3.16 | 0 | 4.39 |
| U.S. No. 3 Feed barley | 3.19 | −1 | 3.90 |
| Soybeans: | | | |
| Brazilian | (1) | (1) | (1) |
| U.S. No. 2 Yellow | 5.28 | −5 | 8.47 |
| EC import levies: | | | |
| Wheat | 1.09 | +35 | 0 |
| Corn | 1.08 | +13 | 0 |
| Sorghum | .95 | +4 | 0 |

[1] Not quoted. [2] Basis c.i.f. west coast, England

NOTE: Price basis 30- to 60-day delivery

**West Germany To Mill Less U.S. Wheat.** West Germany's 1975 wheat crop has a higher protein percentage than 1974's because of this year's dry growing conditions. As a result of the improved quality of the 1975 crop, greater availability of domestic high-quality wheat varieties, and firm world prices for high-quality wheat, West Germany in 1975/76 is expected to mill not more than 300,000 tons of imported high-quality wheat, mostly from the United States and Canada, compared with 351,000 tons in 1974/75 and 313,000 tons in 1973/74. West Germany's 1975 crop has a 12.4 percent protein content (dry basis), compared with 11.5 percent in 1974, 12.8 percent in 1973, and 12.4 in 1972.

**Rains Reduce Brazil's Wheat Crop.** Because of wet-weather damage in August and September, Brazil's 1975 wheat crop is now estimated at 2.5 million tons, down from the 3.1 million tons estimated in August and the previous year's crop of 2.8 million tons. Brazil is now expected to import 2.5 million tons in 1975/76, compared with 2.2 million tons in 1974/75. U.S. sales to Brazil for 1975/76 shipment now total 1.5 million tons.

## —LIVESTOCK • PRODUCTS—

**Canada Sets New Beef Price Supports.** Agriculture Canada on October 23 announced provisions of the beef stabilization program for August 12-December 31. The Federal Government will pay farmers the difference between a support price of C$43.94 per hundredweight and the national weighted average price received for A1 and A2 cattle, if the average price is below support level. This deficiency payment will be made on all cattle of A, B, and C quality, providing they are sold for slaughter.

The new support price is $1.48 lower but otherwise the support program is basically the same as the program that was in effect for 1 year and expired August 12. The new support price is based on prices during the corresponding August 12 to December 31 period of the previous 5 years, adjusted for estimated changes in production costs. Canadian slaughter cattle prices since August 12 have averaged well above the new support level. The next slaughter cattle support program will be for calendar 1976.

**Nigeria Imports Beef.** Higher domestic prices are prompting Nigeria to import beef—an action deemed necessary to limit slaughter of domestic breeding herds under the stimulus of current high prices. Depletion of cattle herds in Nigeria and its traditional sources of beef and catttle (Niger and Chad) were mainly caused by drought in the early 1970's and the increased demand for meat following expanded oil revenues.

For 4 months beginning with November, monthly air shipments of 500 metric tons of chilled beef are to be imported from Europe, Brazil, or Argentina. After that time, shipments may arrive by sea, and could average 1,000 tons per month.

While not directly affecting the United States, the prospective imports provide a new market for the indicated countries and could increase U.S. exports to the European Community under the EC Export-Import System.

## —COTTON—

**Ghana Stresses Cotton To Cut Imports.** Cotton acreage in Ghana for 1975/76 reportedly increased threefold from the 1974/75 level to 30,000 acres. This expansion followed a rise in 1975 seed cotton producer prices to 30 cents per

pound, compared with 10 cents per pound last season. However, input shortages and inexperienced producers caused yields to decline some. Even so, 1975/76 production is placed at around 13,000 bales (480 lb net) or 2.6 times more than last season. The Government has stipulated that textile mills must participated in cotton production. With estimated mill usage exceeding 60,000 bales and growing—and a current ginning capacity of about 15,000 bales—the desired self-sufficiency remains in the future.

**India Expects Record Cotton Crop.** India now expects a record cotton crop approaching 6.4 million bales (480 lb net), 400,000 bales above last season's record, thanks to an excellent monsoon and favorable weather during the harvest. The Government turned down a request to export shorter staple upland cotton but reportedly approved an 85,000-bale export quota for 1975/76 medium-long to long staple cotton after first-ever export sales of about 125,000 bales of those qualities from the 1974/75 crop.

**World Cotton Prospects Deteriorate.** World cotton production prospects have been reduced by storms and cold weather in the USSR, heavy rains in the Sudan, and indications of an unexpectedly sharp decline in acreage planted in southern Brazil coupled with lower yields in northern Brazil. Accurate assessments of these possible declines are not yet available, but losses could further reduce the 1975/76 world cotton crop below the 1974/75 level.

## DAIRY • POULTRY

**EC Increases Some Poultry Import Charges.** The European Community has increased net import charges on whole turkeys imported by the United Kingdom from an estimated 2.71 to 7.63 cents per pound.

The principal factor in the higher import charge was an increase in the variable levy from about 6.24 to about 8.83 U.S. cents per pound. At the same time, both the accession compensatory amount and the monetary compensatory amount were reduced. Since both these items are subtracted from the variable levy to arrive at net import charges, a reduction in these items serves to increase the net import charges. The supplementary levy on whole turkeys and turkey halves and quarters will continue at zero.

**Venezuela May Nationalize Dairy Firm.** Nationalization of the dairy processing firm Empressa Industrias Lacteas de Venezuela (INDULAC) is contemplated by the Venezuelan Government, according to an October 5 policy statement by President Carlos A. Perez. A U.S. firm and a Swiss firm hold minor interests in the Venezuelan enterprise.

## FRUIT • NUTS • VEGETABLES

**India's 1975 Walnut Crop Up.** India's 1975 walnut crop is estimated at 13,000 metric tons (in shell), up 37 percent from the previous year's poor harvest of 9,500 tons. Weather conditions in the principal producing areas have been favorable. The quality of this year's crop is reported to be very good, manifested by lighter colored kernels than the lower quality dark ones of last year.

Total walnut exports for the 1975/76 season (October-September) are forecast at 5,000 tons (in shell), a 47 percent increase above those of the 1974/75 level. Cited as factors favorable to Indian exports are the inability of the Chinese to fill some of their export orders during 1974/75, the opening of the Suez Canal (which reduces transit time for shipments from India to European countries), improved domestic output, and the possibility of bigger purchases by the United Kingdom because of low walnut stocks in that country are cited as factors favorable to Indian exports.

Major buyers during the first 5 months of the previous marketing year (October 1974-February 1975) were the German Democratic Republic, the United Kingdom, Czechoslovakia, Poland, and Japan.

The 2 percent ad valorem subsidy by the Indian Government to walnut exporters in the form of import entitlement for glassine paper (packing material) is continuing, but shippers consider it too small an incentive to have any significant effect on exports. A proposal to make the subsidy more attractive is under consideration by the Government.

Domestic consumption of walnuts for 1975/76 is expected to reach about 8,000 tons, slightly higher than the previous year's level of 6,900 tons. The domestic market is capable of absorbing all supplies remaining after fulfilling export requirements. Walnut stocks at the end of the 1975/76 season will be around 200 tons, the same as in the previous year.

Walnuts are among the lowest priced tree crops available in India, ranging from one-third to one-fourth that of almonds and between one-tenth to one-twelfth the price of pistachios. Prices in the Bombay market of superior quality unshelled walnuts stood at the equivalent of $78.13 per quintal (220.46 pounds) in March-April 1975. In the Amritsar market during the same period prices of Kashimri quailty walnuts were about $50 per quintal.

## TOBACCO

**Tobacco Imports Held Not Injurious.** The U.S. International Trade Commission has denied the request of U.S. wrapper tobacco growers for relief from imports by declining to find that increased U.S. imports of wrapper tobacco are a substantial cause of serious injury to U.S. growers of tobacco used as outer wrapping of cigars. The Commission decision was based on a finding that the decline in U.S. production of large cigars was a more important cause of any injury to the growers than imports of wrapper tobacco. The negative detemination of the Commission thus denies U.S. tobacco farmers eligibility for relief from imports through higher tariffs, quotas, or financial aid under the Trade Act of 1974.

**USDA Again Accepting CCC Applications.** USDA on October 28 resumed accepting applications for Commodity Credit Corporation export financing covering all previously eligible commodities except wheat. Financing of wheat under existing lines of CCC credit is not affected. Because of budgetry restrictions, CCC applications were not accepted from August until October 28.

**CCC Credit for Zaire.** The Commodity Credit Corporation on October 24 established a $15 mililon credit for Zaire, covering export financing of rice ($8 million), tallow ($1 million), tobacco ($2 million), and wheat ($4 million). Credit terms provide 3-year financing for rice, tallow, and tobacco, and 1-year financing for wheat.

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# Australia Sees Sharp Competition in Japan Meat Market

The Japanese market for beef may not grow as much as had been forecast in the early 1970's.

A new publication issued by Australia's Bureau of Agricultural Economics, "Developments in the Japanese Beef Market," concludes that world supplies of beef will be heavy for the next few years and that there will be sharp competition, particularly from New Zealand, for that market.

Price competition between Australian and New Zealand meat exporters and among Australian exporters has been so fierce that prices bid on some of Japan's tenders have not been profitable.

Australian exporters also have been competing sharply for sales to gain export credits for the U.S. market under the export diversification scheme.

As a result of these selling practices, Australia has been supplying 80-90 percent of the Japanese market.

The report observes that the Japanese market for Australian chilled beef could be in jeopardy under the new Japanese market stabilization scheme, which calls for holding meat in cold stores until wholesale prices move above the trigger level permitting imported beef on the market.

Lot-feeding of cattle for the Japanese market will continue to be risky and volatile in nature, the report predicts, unless there are modifications in the stabilization scheme. The domestic market in Australia does not appear to be a good backstop for this beef, as Australian consumers have not demonstrated as yet that they are willing to pay a premium for lot-fed beef—at least not the particular heavy type required by the Japanese market.

The report predicts that the greatest market in Japan will be for boneless manufacturing quality beef—a trend associated with the fast-food boom.

The report is viewed by some as taking too conservative a view of the potential of the Japanese market.

Australian exporters believe the current wide gap between prices paid in Australia and wholesale prices in Japan will close as the beef glut clears up.

It is deemed possible that Japan will change its system of announcing meat quotas to make a series of quota announcements geared to market needs, rather than the present system of fixing firm periodic quotas.

—Based on report from
*Office of U.S. Agricultural Attaché*
*Canberra*

## U.S. Farm Exports

*Continued from page 3*

ple, but 95 percent of it is on a commercial basis. This goes to countries that now can buy the food they need, but still depend on the United States to fill the gap between their own food production capacity and their needs.

Japan and Western Europe are notable examples, and long-time trade in agriculture has helped to build and cement relationships with these allies.

More recently, this same ability to export agricultural products paved the way for improved relationships with the Soviet Union and the People's Republic of China. Agriculture has dominated the trade that is developing between those two countries and the United States, and today the oil-producing countries of the Middle East also are turning increasingly to the United States for food and feed. Iran, for example, became a $750-million customer of U.S. agriculture last fiscal year—our 10th largest market.

Certainly, these developments give us a stronger hand in this troubled area, and just as certainly our farm exports will continue to be important building stones of a more stable world, and a tremendous asset in foreign policy.

That is the agricultural export story that few people know about—a story of agricultural clout on the international scene, of farm and business income from exports, of 1.2 million jobs, of reduced tax costs, abundant food production, and how agricultural exports help pay for the foreign goods we need and want.



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